

Secretary Chase made the fatal mistake at the outset **of** relying upon loans to supply the means of carrying on the war instead of appealing to the productive resources and the patriotism of the people. His recommendation, at the special session of Congress in the summer of 1861, was to raise \$80,000,000 by taxation and \$240,000,000 by loans. Of the amount raised by taxation \$65,000,000 was required for the ordinary expenses of the peace establishment, \$9,000,000 was to pay the interest on the new debt, and \$5,000,000 was to go to the establishment of a sinking fund for its final payment. It is no afterthought to declare that this policy of timidity was not approved by the country. A meeting of bank delegates was held in Washington on January n, 1862, which recommended a tax bill to raise \$125,000,000 in addition to the usual duties on imports. A resolution was introduced in the House four days later declaring in favor of an annual revenue of \$150,000,000. This resolution passed the House with only five dissenting votes, and its beneficial effect was shown by the advance of six per cent, bonds from 90 to 107. The New York Chamber of Commerce, on April 24th, adopted a memorial to Congress declaring "that the masses of the people are ready and desirous to contribute their quota to the ordinary and extraordinary revenues of the country," and that the public expenditures demanded an annual revenue of at least \$250,000,000.

It was not until his annual report of 1863 that Secretary Chase awakened to the importance of taxation as a means of supporting the public credit, and suddenly expressed his desire for providing "for the largest possible amount of extraordinary expenditures by taxation." The net ordinary receipts, exclusive of loans, were \$51,919,261 for the fiscal year ending June 30, 1862 ; \$112,094,945 for the fiscal year 1863; \$243,412,971 for 1864; \$322,031,158 for 1865; and \$519,949,564 for 1866. If these figures could have been moved backwards a single year, the effect upon the credit of the government, the price of gold, and the depreciation of the legal tender paper would have been striking, even